

SENATE BILL REPORT

SB 6401

As Reported by Senate Committee On:
Higher Education & Workforce Development, February 1, 2012
Ways & Means, February 7, 2012

Title: An act relating to creating efficiencies for institutions of higher education.

Brief Description: Creating efficiencies for institutions of higher education.

Sponsors: Senators Tom, Hill, Kilmer, Becker and Shin.

Brief History:

Committee Activity: Higher Education & Workforce Development: 1/24/12, 2/01/12 [DPS-WM, w/oRec].

Ways & Means: 2/06/12, 2/07/12 [DP2S, w/oRec].

SENATE COMMITTEE ON HIGHER EDUCATION & WORKFORCE DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 6401 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Tom, Chair; Shin, Vice Chair; Hill, Ranking Minority Member; Becker, Frockt, Kastama, Kilmer and Stevens.

Minority Report: That it be referred without recommendation.

Signed by Senator Baumgartner.

Staff: Kimberly Cushing (786-7421)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 6401 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Murray, Chair; Kilmer, Vice Chair, Capital Budget Chair; Zarelli, Ranking Minority Member; Parlette, Ranking Minority Member Capital; Brown, Conway, Fraser, Harper, Hatfield, Hewitt, Holmquist Newbry, Honeyford, Kastama, Keiser, Kohl-Welles, Regala, Schoesler and Tom.

Minority Report: That it be referred without recommendation.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Signed by Senators Baumgartner and Padden.

Staff: Maria Hovde (786-7710)

Background: Purchasing. The Department of Enterprise Services establishes overall state policy for purchasing and contracts with individuals and companies outside of state government to provide goods and services to the state. Under delegated authority, other state agencies and the institutions of higher education also contract for goods and services. Insofar as practicable, all purchases and sales are based on competitive bids, and a formal sealed, electronic, or web-based bid procedure.

Personal Service Contracts. A personal service contract is an agreement with a consultant for the rendering of personal services that must be entered into pursuant to competitive solicitation, which is a formal process providing an equal and open opportunity to qualified parties and culminates in a selection based on specific criteria. Contracts of less than \$20,000 are exempt from competitive solicitation.

Disbursement of Public Funds. The Treasurer of the state of Washington must receive, keep, and disburse all public funds of the state that are not required by law to be received, kept, and disbursed by someone else, except for the public funds of institutions of higher education which are not subject to appropriation. Under current law, agencies cannot make payments more than one year in advance for equipment maintenance services.

Compensation. The Human Resources Director within the Office of Financial Management must adopt rules for various personnel procedures, including for the reduction, dismissal, suspension, or demotion of an employee, training and career development, transfers, promotion preferences, sick leaves and vacations, hours of work, layoffs, salary schedules, and increment increases. Subject to periodic audit and review by the Director, these rules must allow for local administration and management by the institutions of higher education and related boards.

Payment of Wages and Salaries. Employees of state agencies or political subdivisions may be paid by warrant or, if at least 25 employees have made a written request to their employer, by direct deposit to an employee's account at the employee's designated financial institution.

Summary of Bill (Recommended Second Substitute): Various state requirements are modified for institutions of higher education.

Purchasing. Formal competitive bidding processes are not required for purchases at institutions of higher education under \$100,000. However, institutions of higher education must include quotations from at least three vendors, and invite at least one each from a certified minority and a certified woman-owned vendor, and keep documented evidence of these quotations for audit purposes for purchases between \$10,000 and \$100,000.

Personal Services Contracts. Institutions of higher education are exempt from formal competitive solicitation for personal service contracts that are less than \$100,000. However, institutions of higher education must document evidence of competition for personal service contracts between \$10,000 and \$100,000.

Disbursement of Public Funds. Institutions of higher education may make advance payments for equipment maintenance services to be performed up to 60 months (five years) after such payment.

Compensation. Institutions of higher education may implement compensation changes for health care special pay classifications and other identified health care classifications. Annually, the institutions must report about changes they have made under this provision.

Payment of Wages and Salaries. Institutions of higher education may make salary and wage payments via direct deposit or may require alternate payment methods such as payroll cards, without a written request from 25 employees or more.

Travel Arrangements. Institutions of higher education are allowed to use appropriate means for making and paying for travel arrangements.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Second Substitute): A duplicative section regarding compensation changes for health care special pay classifications and other identified health care classifications is removed from the bill.

EFFECT OF CHANGES MADE BY HIGHER EDUCATION & WORKFORCE DEVELOPMENT COMMITTEE (Recommended First Substitute): It is clarified in an additional section of the code that, for health care classifications, institutions of higher education may implement higher education health care special pay plans to be competitive with compensation for positions of a similar nature. Institutions of higher education may require that employees without financial institutions be paid through an alternate payment method such as payroll cards. Institutions of higher education may use appropriate means for making and paying for travel arrangements.

Appropriation: None.

Fiscal Note: Requested on January 19, 2012.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill (Higher Education & Workforce Development): PRO: Having made many difficult cuts to institutions of higher education, we are trying to give them flexibility so they can do what they need to do. This bill reforms redundant and outdated business practices and supports good government. Well-run institutions better support students. This bill is significant for universities in a host of small ways. Procurement and payroll staff are heavily burdened, and these provisions will help them do their jobs more efficiently. At Washington State University (WSU), 20 percent of the workforce collects a physical paycheck, which costs \$25,000 in postage for mailing paychecks. Institutions get discounts if they can enter into a longer-term agreement, which they are unable to do under current law. Western Washington University (WWU) can save up

to \$50,000 savings maintenance alone. Without a formal procurement process, 20-40 hours will be saved, adding value to the project. The University of Washington (UW) is at the point where greater administrative efficiencies are limited or impossible without changes to state regulation. In several areas, UW competes for patients, grants, and talent with private institutions and for-profit entities. Efficiencies would save over \$1 million a year at UW and would have compounding impacts over time.

Persons Testifying (Higher Education & Workforce Development): PRO: Senator Tom, prime sponsor; Eric Lint, Associated Students of UW Tacoma; David Mitchell, Olympic College, State Board for Community and Technical Colleges; Chris Mulick, WSU; Steve DuPont, Central Washington University (CWU); Margaret Shepherd, UW; Sherry Burkey, WWU.

Staff Summary of Public Testimony on Substitute as Passed by Higher Education & Workforce Development (Ways & Means): PRO: This bill will help the institutions of higher education to be as efficient as possible, given the budget cuts, and will help us save money. This is a common sense approach to gain additional efficiencies and allow the schools to operate more effectively. With this bill, UW expects to save at least \$800,000 a year with compounding effects over time. The special pay provision applies to non-collectively bargained employees, and this language essentially just eliminates a report. The two- and four-year sectors worked together on this over the interim, and this will help save staff time so that more time can be spent with students, allowing us to be more efficient and productive. We need to be able to maximize our limited resources, and this bill is a common sense approach to best business practices when it comes to our procurement processes. The flexibility on equipment maintenance contracts will save WWU approximately \$50,000.

Persons Testifying (Ways & Means): PRO: Chris Mulick, WSU; Margaret Shepherd, UW; Deb Merle, State Board for Community and Technical Colleges; Steve Dupont, CWU; Sherry Burkey, WWU.